

CIA/OER/S-06797-75 OPEC ACCESS & INVESTMENT
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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

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CIA/OER/S-6797-75
21 February 1975

MEMORANDUM FOR: Mr. Andrew Safir
Office of Justice Policy & Planning
Department of Justice

SUBJECT : OPEC Access and Investment in Major
Financial Markets

1. The attached memorandum is in response to your recent request for information for the Attorney General on OPEC investment in developed countries and on these countries' controls on foreign equity purchases. The restrictions listed are only illustrative since numerous other laws regulating the use of foreign exchange receipts, and the operation of particular industries also have a significant impact on foreign access to equity markets.

2. In reaction to the growth of OPEC wealth, many countries are reevaluating their regulations on foreign investment in domestic industry.

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Existing regulations in France already require government approval for many equity purchases. These controls could be used to curtail foreign investment without enacting new legislation.

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3. If you have any questions on this subject, please call me or [redacted] on IDS code 143, extension 7717.

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Chief

Trade and Monetary Analysis Branch
Office of Economic Research

Attachment:
As stated

CLASSIFIED BY 015319
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OPEC ACCESS AND INVESTMENT IN MAJOR
FINANCIAL MARKETS

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FRANCE

BASIC STATISTICS ON OPEC ASSETS (millions of US \$ on 30 September 1974)

Total	2,630
Bank Deposits	1,465
Government Securities	165
Other	1,000
Corporate Bonds	650
Equities	300
Real Estate	50
Size of Equity Market (1972)	42,650

CONTROLS ON EQUITY PURCHASES

Paris has indicated that it opposes OPEC investment in the stocks of defense-related industries, and has not encouraged OPEC equity holdings in other sectors of the economy. No specific controls on OPEC purchases are presently in force, however.

In an effort primarily to control US investors, Paris now requires equity purchases by foreigners to receive prior approval from the Minister of Economy and Finance if the investment could result in foreign control of a French firm. Foreign equity investments requiring prior government approval include:

- °The purchase of more than 20% of a firm whose share is traded on the stock exchange.
- °The purchase of a controlling interest, as defined by the Director of the Treasury, in a firm not listed on the stock exchange. The Director of the Treasury decides what is a controlling interest on a case-by-case basis.

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UNITED STATES

BASIC STATISTICS ON OPEC ASSETS (millions of US \$ on 30 September 1974)

Total	12,405
Bank Deposits	6,820
Government Securities	4,710
Other	875
Corporate Bonds	232
Equities	353
Real Estate	290

Size of Equity Market (1972)

CONTROLS ON EQUITY PURCHASES

The United States does not discriminate against OPEC or other foreign equity investment. There are, however, some regulations which limit or preclude foreign investment in some industries.

- °Defense Department regulations on government contracts tend to inhibit foreign investment in corporations working on classified government projects.

- °The Atomic Energy Act prohibits foreign control of firms engaged in atomic energy utilization or production.

- °Foreign investment in other public interest industries such as communication, aviation, mining, and fishing is either prohibited or subject to prior government approval.

Recent US action on foreign investment has centered around better disclosure of foreign ownership. The SEC now requires information on purchases of more than 5% of the outstanding stock of registered corporations with assets of \$1 million or more and 500 or more stockholders.

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This regulation applies to both domestic and foreign owners. The Department of Commerce is conducting a survey of foreign direct investment in the United at the end of 1974. The survey, which should be completed by the end of 1975, will obtain information on all foreigners who have controlling interests in US firms with assets and sales in 1974 exceeding \$100 thousand. For the purpose of the survey, control is defined as direct or indirect foreign ownership of 10% of more of the voting interest in a firm.

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